

NEW APPLICATION

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

In the matter of:

Ronald F. Stevenson (CRD no. 6716692)
and Barbara Clark Stevenson, husband and
wife,

Barbara Clark Stevenson and Ronald F.
Stevenson, wife and husband,

American Financial Security, LLC, and
Arizona limited liability company, an

American Financial Investments LLC (CRD
no. 285559), an Arizona limited liability
company,

Respondents.

) DOCKET NO. S-21110A-20-0190

) **NOTICE OF OPPORTUNITY FOR HEARING
REGARDING PROPOSED ORDER TO CEASE
AND DESIST, ORDER FOR RESTITUTION,
ORDER FOR ADMINISTRATIVE PENALTIES,
ORDER OF REVOCATION, AND ORDER FOR
OTHER AFFIRMATIVE ACTION**

NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING

EACH RESPONDENT HAS 30 DAYS TO FILE AN ANSWER

The Securities Division ("Division") of the Arizona Corporation Commission ("Commission") alleges that respondents Ronald F. Stevenson, Barbara Clark Stevenson, American Financial Security, LLC, and American Financial Investments LLC have engaged in acts, practices, and transactions that constitute violations of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") and/or the Arizona Investment Management Act, A.R.S. § 44-3101 *et seq.* ("IM Act").

The Division also alleges that Ronald F. Stevenson and Barbara Clark Stevenson are controlling persons of American Financial Security, LLC within the meaning of A.R.S. § 44-1999(B), so that they are jointly and severally liable under A.R.S. § 44-1999(B) to the same extent as American Financial Security, LLC for its violations of the antifraud provisions of the Securities Act.

I.**JURISDICTION**

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution, the Securities Act, and the IM Act.

II.**RESPONDENTS**

2. Ronald F. Stevenson ("Ronald Stevenson") has been an Arizona resident since at least May 22, 2012 and married to Barbara Clark Stevenson ("Barbara Stevenson" or "Respondent Spouse") since at least May 30, 2012. Ronald Stevenson has been licensed as an Arizona insurance producer since November 15, 2002. Since October 26, 2016, Ronald Stevenson has been licensed by the Commission as an investment adviser representative with CRD number 6716692 and employed by American Financial Investments LLC. Ronald Stevenson has not been registered by the Commission as a securities salesman or dealer.

3. Barbara Stevenson has been an Arizona resident since at least 2003.

4. American Financial Security, LLC ("American Financial Security") is a limited liability company organized under the laws of the state of Arizona on April 5, 2004. American Financial Security is a member-managed company and Ronald Stevenson and Barbara Stevenson are its only members. Ronald Stevenson was the sole member of American Financial Security from January 25, 2010 to December 18, 2012. Ronald Stevenson and Barbara Stevenson have been members of American Financial Security from December 18, 2012, to the present. Ronald Stevenson has held himself out as the President of American Financial Security since at least January 12, 2015. Barbara Stevenson has held herself out as co-owner, master tax advisor, and business and management consultant of American Financial Security since at least January 7, 2015. Barbara Stevenson was involved in the management of American Financial Security's clients' accounts.

1 5. American Financial Security has had an Arizona business address since at least January
2 25, 2010. American Financial Security has not been registered by the Commission as a securities
3 salesman or dealer.

4 6. American Financial Investments LLC (“American Financial Investments”) is a limited
5 liability company organized under the laws of the state of Arizona on October 21, 2016. American
6 Financial Investments is a member-managed company, and Ronald Stevenson and Barbara Stevenson
7 have been the only members since it was organized. American Financial Investments has had an Arizona
8 business address since October 21, 2016. Since October 26, 2016, American Financial Investments has
9 been licensed by the Commission as an investment adviser with CRD number 285559.

10 7. Barbara Stevenson and Ronald Stevenson have been married since at least May 30, 2012.
11 Barbara Stevenson and Ronald Stevenson are joined in this action based on their own conduct and also
12 under A.R.S. §44-2031(C).

13 8. At all relevant times, Barbara Stevenson and Ronald Stevenson were acting for their own
14 benefit and on behalf of and for the benefit of their marital community.

15 9. Barbara Stevenson, Ronald Stevenson, American Financial Security, and American
16 Financial Investments may be referred to collectively as “Respondents.”

17 **III.**

18 **FACTS**

19 10. American Financial Security sells insurance products through Ronald Stevenson and
20 offers tax preparation services through Barbara Stevenson.

21 11. American Financial Security and American Financial Investments have shared the
22 same office address since at least October 21, 2016, when American Financial Investments was
23 organized. Since at least May 16, 2017, American Financial Investments has also shared a website
24 with American Financial Security at americanfinancialsecurity.net.

25 12. In addition to insurance products, since at least June 21, 2012, Ronald Stevenson and
26 American Financial Security solicited clients of American Financial Security to invest in debentures

1 (“EquiAlt Debentures”) issued by companies controlled by EquiAlt, LLC, which companies include
2 EquiAlt Fund, LLC, EquiAlt Fund II, LLC, and EA SIP, LLC. EquiAlt Debentures promised a fixed
3 rate of return ranging from at least 6 to 12% annually, paid either monthly or at maturity.

4 13. EquiAlt, LLC, EquiAlt Fund, LLC, EquiAlt Fund II, LLC, and EA SIP, LLC will be
5 collectively referred herein as “EquiAlt”.

6 14. Ronald Stevenson and Barbara Stevenson advertised American Financial Investments
7 and American Financial Security throughout the Prescott area, through the local newspaper, by mail-
8 in post cards, in person solicitation, and on their radio show.

9 15. Further, Barbara Stevenson and Ronald Stevenson conducted seminars together where
10 they presented various services that American Financial Security offered to their clients, including
11 investment options and retirement planning.

12 16. After the seminars, Ronald Stevenson met with some of the attendees individually at
13 American Financial Security’s place of business to discuss risk tolerance and investment options,
14 including EquiAlt Debentures. Barbara Stevenson was present at some of these meetings.

15 17. Ronald Stevenson and American Financial Security told investors that their
16 investment money in EquiAlt Debentures would be used to flip, lease, or purchase distressed or
17 foreclosed real estate or land and the investors would receive a return on their principal. Ronald
18 Stevenson told at least some of the investors that they would receive 8% interest on their principal.

19 18. Ronald Stevenson and American Financial Security provided at least some of the
20 investors with marketing material that advertised EquiAlt Debentures as an “[o]ppportunity to make
21 investments in whole distressed Single Family Real Estate focused on equity on acquisition buying
22 and buy-to-rent strategies.”

23 19. Ronald Stevenson provided at least some of those interested in investing in EquiAlt
24 Debentures with private placement memoranda (“PPMs”). The vast majority of the investors, if not
25 all, received subscription agreements (“Subscription Agreement(s)”) and summary of terms
26 (“Summary of Terms”).

1 20. The PPMs and the Summary of Terms stated that investors would receive 6 to 12%
2 return on their principal which would be paid either monthly, quarterly, semi-annually, annually or
3 growth during a 2- or 4-year term. These terms were summarized in the Summary of Terms.

4 21. The PPMs also stated that the purpose of the investment was to generate capital for
5 EquiAlt to “purchase, improve, lease and/or dispose of distressed real property, enter into
6 opportunistic loan transactions and/or engage in other ventures.”

7 22. The Subscription Agreements outlined the units that the investors were purchasing at
8 \$10.00 per unit.

9 23. The EquiAlt Debentures are securities and are labeled as securities in the PPMs. The
10 PPMs described the offering as “up to Fifty Million Dollars (\$50,000,000) in [6 to 12%] Debentures
11 (the “Securities”) of the Company [EquiAlt].”

12 24. The EquiAlt Debentures have not been registered by the Commission.

13 25. Ronald Stevenson and American Financial Security sold at least 254 EquiAlt
14 Debentures to their clients, totaling at least \$17,111,131.00 invested. Most of their clients who
15 invested in EquiAlt Debentures were Arizona residents age 65 or older when they invested, and many
16 were in their 70s or 80s.

17 26. From 2012 through 2019, Ronald Stevenson and American Financial Security earned
18 commissions for their sale of EquiAlt Debentures totaling at least \$2,010,802.56.

19 27. Ronald Stevenson included Barbara Stevenson in at least two communications with
20 clients who had invested in EquiAlt Debentures. Further, both Ronald Stevenson and EquiAlt’s
21 principals included Barbara Stevenson in their communications regarding EquiAlt.

22 28. Once Barbara Stevenson found out that an investor received an inheritance, she
23 suggested to the investor’s daughter that the investor meet with Ronald Stevenson about investing
24 said inheritance money. Ronald Stevenson advised the investor to invest in EquiAlt Debentures.
25 Barbara Stevenson told the investor that EquiAlt had many investors, no debt, and paid great returns.
26

1 29. Barbara Stevenson told at least two investors that she had personally invested in
2 EquiAlt.

3 30. At least some of the clients of Ronald Stevenson and American Financial Security
4 would be impacted significantly if they lost the money that they invested in EquiAlt Debentures.

5 31. At least one client of Ronald Stevenson and American Financial Security, who
6 invested in EquiAlt Debentures, used all of her savings to make the investment and if she lost her
7 investment money then she would have to sell her home.

8 32. At least one investor has already stopped receiving her investment money, and it has
9 impacted her ability to meet some of her living expenses.

10 33. On February 11, 2020, the Securities and Exchange Commission ("SEC") filed a
11 complaint in the U.S. District Court for the Middle District of Florida against EquiAlt, LLC, EquiAlt
12 Fund, LLC, EquiAlt Fund II, LLC, EA SIP, LLC, and related parties. In its complaint, the SEC
13 alleged that EquiAlt has been conducted as a Ponzi scheme since 2011 and has raised over \$170
14 million from over 1,100 investors nationwide.

15 34. On February 14, 2020, the judge in the SEC case issued an order appointing a receiver
16 for EquiAlt to take immediate possessions of all EquiAlt property, assets and estates.

17 **Untrue Statements and Omissions by Ronald Stevenson and American Financial**
18 **Security**

19 35. Subscription agreements for the EquiAlt Debentures specifically stated that the "Units
20 are being sold through the Company without commissions." Ronald Stevenson and American
21 Financial Security omitted to tell at least some of their clients who invested in EquiAlt Debentures
22 that they were being paid commissions for the sale of the EquiAlt Debentures.

23 36. Ronald Stevenson and American Financial Security misrepresented to their clients
24 who invested in EquiAlt Debentures that they were not being paid commissions for the sale of the
25 EquiAlt Debentures.

1 37. Ronald Stevenson and American Financial Security misrepresented to at least four of
2 their clients who invested in EquiAlt Debentures the risk of the EquiAlt Debentures. Ronald
3 Stevenson and American Financial Security misrepresented to at least two of these clients that
4 EquiAlt Debentures were a safe investment. Ronald Stevenson and American Financial Security
5 misrepresented to at least one investor that the 8% return on the principal, during the 4-year term,
6 was guaranteed. Further, Ronald Stevenson and American Financial Security misrepresented to at
7 least two other clients that their investment with EquiAlt was guaranteed. Ronald Stevenson and
8 American Financial Security misrepresented to at least one other client that EquiAlt Debentures were
9 a low-risk investment. Ronald Stevenson and American Financial Security misrepresented to at least
10 one other client that EquiAlt Debentures were safer than a money market account. The EquiAlt
11 Debentures were actually highly speculative investments that were much riskier than a money market
12 account and were not guaranteed.

13 38. Ronald Stevenson and American Financial Security misrepresented the liquidity of
14 the EquiAlt Debentures to at least four of their clients who invested in EquiAlt Debentures. Ronald
15 Stevenson and American Financial Security misrepresented to clients that EquiAlt Debentures were
16 completely liquid or that EquiAlt will “not hold their money hostage.” Ronald Stevenson and
17 American Financial Security misrepresented to at least one other of these clients that he could
18 liquidate an EquiAlt Debenture at any time. Ronald Stevenson and American Financial Security
19 misrepresented to at least one other of these clients that an EquiAlt Debenture could be liquidated
20 with no penalties or fees with one to two weeks of processing time. There was actually no certainty
21 that investors could liquidate or transfer an EquiAlt Debenture.

22 39. Subscription Agreements outlined the risk as follows:

23 The Subscriber [investor] recognizes that the purchase of the Units involves a high
24 degree of risk in that (i) the Company has limited operation history; (ii) an investment
25 in the Company is highly speculative, and only investors who can afford the loss of
26 their entire investment should consider investing in the Company and the Units; (iii)
the Subscriber may not be able to liquidate his, her or its investment; and (iv)
transferability of the Units is extremely limited.

1 40. Ronald Stevenson and American Financial Security misrepresented to at least one of
2 their clients who invested in EquiAlt Debentures that the EquiAlt Debentures were not securities.

3 **Dishonest or Unethical Conduct by Ronald Stevenson and American Financial Investments**

4 41. Some of the American Financial Security clients who invested in EquiAlt through
5 Ronald Stevenson and American Financial Security were also investment advisory clients of
6 American Financial Investments.

7 42. American Financial Investments notes in its management agreements with clients that
8 commissions paid to Ronald Stevenson for the sale of insurance products through American Financial
9 Security create a conflict of interest. The sales commissions paid to Ronald Stevenson and American
10 Financial Security for the sale of EquiAlt Debentures to clients of American Financial Investments
11 also created a conflict of interest for the same reasons. This conflict was material and could
12 reasonably be expected to impair the rendering of unbiased and objective investment advice from
13 Ronald Stevenson and American Financial Investments.

14 43. Ronald Stevenson and American Financial Investments failed to disclose in writing
15 to at least two of their investment advisory clients who invested in EquiAlt Debentures through
16 American Financial Security that the commissions for the sale of EquiAlt Debentures created such a
17 conflict of interest.

18 **IV.**

19 **VIOLATION OF A.R.S. § 44-1841**

20 **(Offer or Sale of Unregistered Securities)**

21 44. From on or about June 21, 2012, Respondents Ronald Stevenson and American
22 Financial Security offered or sold securities in the form of notes and evidence of indebtedness within or
23 from Arizona.

24 45. The securities referred to above were not registered pursuant to Articles 6 or 7 of the
25 Securities Act.

26 46. This conduct violates A.R.S. § 44-1841.

V.

VIOLATION OF A.R.S. § 44-1842**(Transactions by Unregistered Dealers or Salesmen)**

47. Respondents Ronald Stevenson and American Financial Security offered or sold securities within or from Arizona while not registered as dealers or salesmen pursuant to Article 9 of the Securities Act.

48. This conduct violates A.R.S. § 44-1842.

VI.

VIOLATION OF A.R.S. § 44-1991**(Fraud in Connection with the Offer or Sale of Securities)**

49. In connection with the offer or sale of securities within or from Arizona, Respondents Ronald Stevenson and American Financial Security directly or indirectly: (i) employed a device, scheme, or artifice to defraud; (ii) made untrue statements of material fact or omitted to state material facts that were necessary in order to make the statements made not misleading in light of the circumstances under which they were made; or (iii) engaged in transactions, practices, or courses of business that operated or would operate as a fraud or deceit upon offerees and investors. Respondents Ronald Stevenson and American Financial Security's conduct includes, but is not limited to, the following:

a) Ronald Stevenson and American Financial Security omitted to tell at least some investors that they were being paid commissions for the sale of the EquiAlt Debentures;

b) Ronald Stevenson and American Financial Security misrepresented to at least an investor that they were not being paid commissions for the sale of the EquiAlt Debentures;

c) Ronald Stevenson and American Financial Security misrepresented to at least some of the investors the risk of the EquiAlt Debentures;

d) Ronald Stevenson and American Financial Security misrepresented to at least some of the investors the liquidity of the EquiAlt Debentures; and

1 e) Ronald Stevenson and American Financial Security misrepresented to at least an
2 investor that the EquiAlt Debentures were not securities.

3 50. This conduct violates A.R.S. § 44-1991.

4 **VII.**

5 **CONTROL PERSON LIABILITY PURSUANT TO A.R.S. § 44-1999**

6 51. From at least January 25, 2010 through the present, Ronald Stevenson has been
7 and/or held himself out as a member of American Financial Security.

8 52. From at least January 25, 2010 through the present, Ronald Stevenson directly or
9 indirectly controlled American Financial Security within the meaning of A.R.S. § 44-1999.
10 Therefore, Ronald Stevenson is jointly and severally liable to the same extent as American Financial
11 Security for its violations of A.R.S. § 44-1991 from at least January 25, 2010 through the present.

12 53. From at least December 18, 2012, through the present, Barbara Stevenson has been
13 and/or held herself out as a member of American Financial Security.

14 54. From at least December 18, 2012, through the present, Barbara Stevenson directly or
15 indirectly controlled American Financial Security within the meaning of A.R.S. § 44-1999.
16 Therefore, Barbara Stevenson is jointly and severally liable to the same extent as American Financial
17 Security for its violations of A.R.S. § 44-1991 from at least December 18, 2012, through the present.

18 **VIII.**

19 **REMEDIES PURSUANT TO A.R.S. § 44-3201**

20 **(Denial, Revocation, or Suspension of Investment Adviser or Investment Adviser Representative**
21 **License; Restitution, Penalties, or other Affirmative Action)**

22 55. Respondents Ronald Stevenson and American Financial Investments' conduct is
23 grounds to revoke their licenses with the Commission as an investment adviser representative and
24 investment adviser, respectively, pursuant to A.R.S. § 44-3201. Specifically, revocation of their licenses
25 would be in the public interest, and:
26

a) Respondents Ronald Stevenson and American Financial Investments have engaged in dishonest or unethical conduct in the securities industry, within the meaning of A.R.S. § 44-3201(13), by failing to disclose to a client in writing before rendering investment advice a material conflict of interest relating to the investment adviser or an employee that could reasonably be expected to impair the rendering of unbiased and objective advice, within the meaning of A.A.C. R14-6-203(11); and

b) Respondent Ronald Stevenson engaged in dishonest or unethical conduct in the securities industry, within the meaning of A.R.S. § 44-3201(13), by making untrue statements and misleading omissions in violation of A.R.S. § 44-1991(a)(2).

56. Respondents Ronald Stevenson and American Financial Investments' conduct is grounds to assess restitution, penalties, and/or take appropriate affirmative action pursuant to A.R.S. § 44-3201. Specifically, Respondents Ronald Stevenson and American Financial Investments have engaged in dishonest or unethical conduct in the securities industry, within the meaning of A.R.S. § 44-3201(13), as described above.

IX.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief:

1. Order Respondents Ronald Stevenson, Barbara Stevenson, and American Financial Security to permanently cease and desist from violating the Securities Act pursuant to A.R.S. §44-2032;

2. Order Respondents Ronald Stevenson, Barbara Stevenson, and American Financial Security to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-2032;

3. Order Respondents Ronald Stevenson and American Financial Investments to permanently cease and desist from violating the IM Act pursuant to A.R.S. § 44-3201;

4. Order Respondents Ronald Stevenson and American Financial Investments to take affirmative action to correct the conditions resulting from Respondents' acts, practices, or transactions, including a requirement to make restitution pursuant to A.R.S. § 44-3201;

5. Order Respondents Ronald Stevenson, Barbara Stevenson, and American Financial Security to pay the state of Arizona administrative penalties of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;

6. Order Respondents Ronald Stevenson and American Financial Investments to pay the state of Arizona administrative penalties of up to one thousand dollars (\$1,000) for each violation of the IM Act, pursuant to A.R.S. §§ 44-3296 and 44-3201;

7. Order the revocation or suspension of Respondents Ronald Stevenson and American Financial Investments' licenses as an investment adviser representative and investment adviser, respectively, pursuant to A.R.S. § 44-3201;

8. Order that Respondents Ronald Stevenson and Respondent Spouse be subject to any order of restitution, rescission, administrative penalties, or other appropriate affirmative action.

9. Order any other relief that the Commission deems appropriate.

X.

HEARING OPPORTUNITY

Each Respondent including Respondent Spouse may request a hearing pursuant to A.R.S. §§ 44-1972 and 44-3212 and A.A.C. R14-4-306. **If a Respondent request a hearing, the requesting respondent must also answer this Notice.** A request for hearing must be in writing and received by the Commission within 10 business days after service of this Notice of Opportunity for Hearing. The requesting respondent must deliver or mail the request to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona 85007. Filing instructions may be obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site at <http://www.azcc.gov/divisions/hearings/docket.asp>.

1 If a request for a hearing is timely made, the Commission shall schedule the hearing to begin 20
2 to 60 days from the receipt of the request unless otherwise provided by law, stipulated by the parties, or
3 ordered by the Commission. If a request for a hearing is not timely made the Commission may, without
4 a hearing, enter an order granting the relief requested by the Division in this Notice of Opportunity for
5 Hearing.

6 Persons with a disability may request a reasonable accommodation such as a sign language
7 interpreter, as well as request this document in an alternative format, by contacting Carolyn D. Buck,
8 ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov. Requests should
9 be made as early as possible to allow time to arrange the accommodation. Additional information
10 about the administrative action procedure may be found at
11 <http://www.azcc.gov/divisions/securities/enforcement/AdministrativeProcedure.asp>

12 XI.

13 ANSWER REQUIREMENT

14 Pursuant to A.A.C. R14-4-305, if a Respondent or a Respondent Spouse requests a hearing,
15 the requesting respondent must deliver or mail an Answer to this Notice of Opportunity for Hearing
16 to Docket Control, Arizona Corporation Commission, 1200 W. Washington, Phoenix, Arizona
17 85007, within 30 calendar days after the date of service of this Notice. Filing instructions may be
18 obtained from Docket Control by calling (602) 542-3477 or on the Commission's Internet web site
19 at <http://www.azcc.gov/divisions/hearings/docket.asp>.

20 Additionally, the answering respondent must serve the Answer upon the Division. Pursuant
21 to A.A.C. R14-4-303, service upon the Division may be made by mailing or by hand-delivering a
22 copy of the Answer to the Division at 1300 West Washington, 3rd Floor, Phoenix, Arizona, 85007,
23 addressed to Margaret Lindsey.

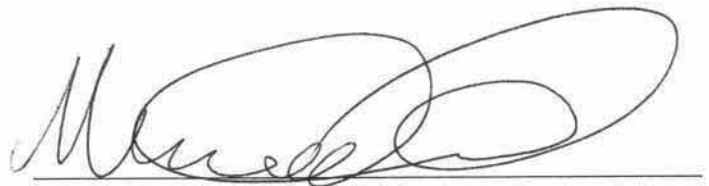
24 The Answer shall contain an admission or denial of each allegation in this Notice and the
25 original signature of the answering respondent or respondent's attorney. A statement of a lack of
26

1 sufficient knowledge or information shall be considered a denial of an allegation. An allegation not
2 denied shall be considered admitted.

3 When the answering respondent intends in good faith to deny only a part or a qualification of
4 an allegation, the respondent shall specify that part or qualification of the allegation and shall admit
5 the remainder. Respondent waives any affirmative defense not raised in the Answer.

6 The officer presiding over the hearing may grant relief from the requirement to file an Answer
7 for good cause shown.

8 Dated this 29th day of June, 2020.

A handwritten signature in black ink, appearing to read 'Mark Dinell', written over a horizontal line.

Mark Dinell
Director of Securities